



ALLIANCE FOR DOWNTOWN NEW YORK

LOWER MANHATTAN REAL ESTATE MARKET REPORT

Q1 2017

2017 began with a bang as the Lower Manhattan market saw its highest quarterly leasing activity in over two years and the city's top three largest deals happened here. Lower Manhattan's TAML presence intensified with the exciting news of Spotify's relocation to the now fully leased 4 World Trade Center. Beyond the commercial market, closings in 30 Park Place and other high profile projects kept the residential market robust. Hotel development also charged ahead with room inventory expected to grow by another 19 percent from last year by the end of 2017. Finally, a steady drumbeat of brand name restaurateurs continued to announce new projects in projects such as 70 Pine, 28 Liberty and more, further enriching Lower Manhattan's food scene for its 14.8 million tourists, 276,000 workers, and 61,000 residents.

1.87 MILLION SF

Top Quarterly Leasing Activity
since Q2 2014

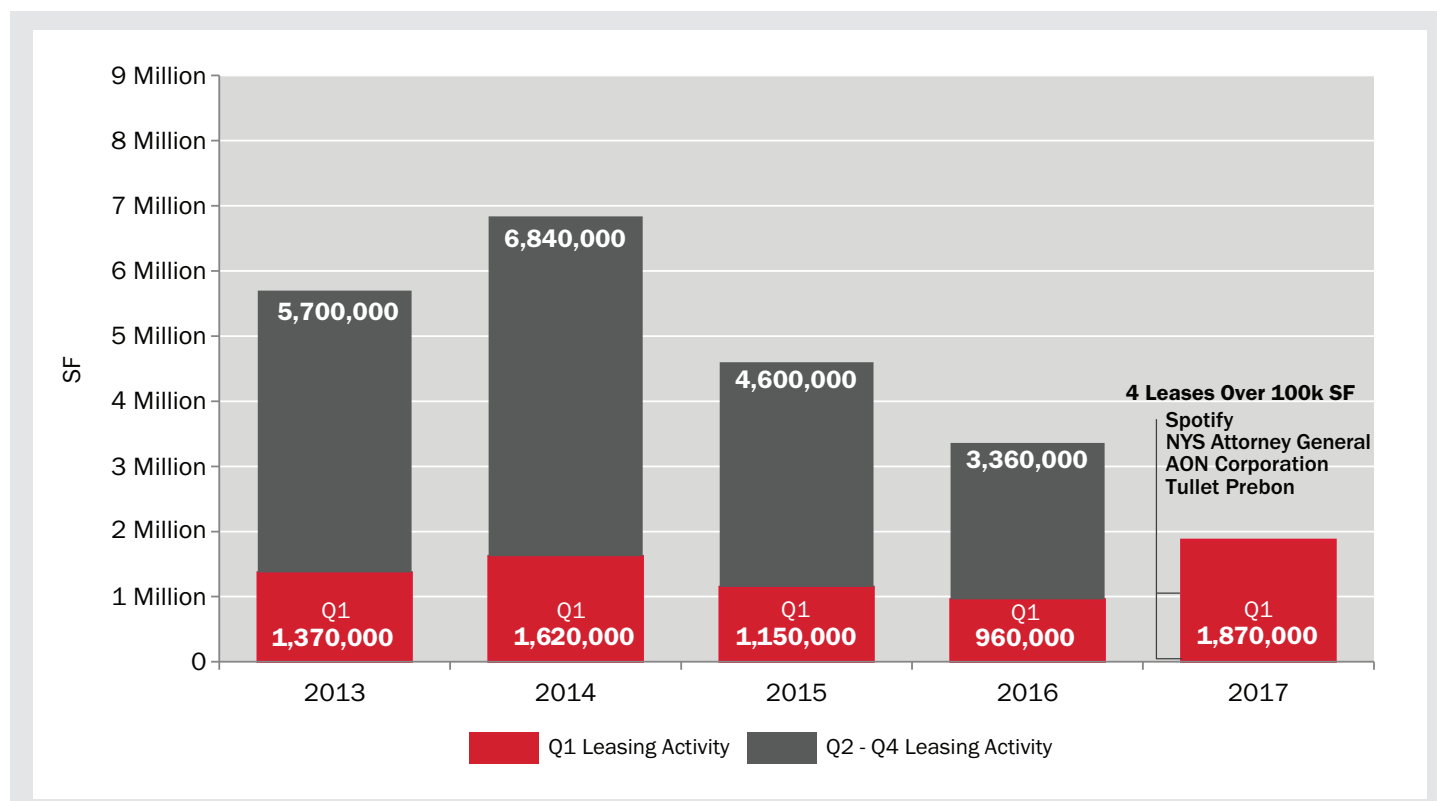
HIGHEST QUARTERLY NEW LEASING ACTIVITY SINCE MID-2014

Lower Manhattan welcomed 2017 with an especially strong first quarter of new leasing activity after a quiet end to 2016. New leasing activity doubled last year's first quarter results, while renewals in the first three months of 2017 topped renewal totals from the last three quarters combined.

Activity strengthened among tenants relocating to the market for the first time in several quarters, and existing tenants continued to expand or move within Lower Manhattan. According to CBRE, new leasing activity totaled 1.87 million-square-foot and Lower Manhattan achieved its highest quarterly leasing activity since the second quarter of 2014. Beyond new activity, Lower Manhattan logged more than 900,000 square-feet of renewal activity, thanks to several large tenants committing to stay downtown. Lower Manhattan posted the largest spike in activity citywide from last quarter (287 percent), while Midtown South increased by 9 percent and Midtown dropped by 18 percent.

LOWER MANHATTAN FIRST QUARTER AND ANNUAL LEASING ACTIVITY, 2013 - 2017

Source: CBRE



LOWER MANHATTAN HAS CITY'S THREE LARGEST LEASE DEALS

Lower Manhattan's large jump in overall new activity was powered by recording the city's three largest deals. In addition, new activity was bolstered by several significant relocations - welcome news after a quiet 2016. According to CBRE, 40 percent of all activity was driven by new tenant relocations to the market, including significant names in marketing, fashion and technology, including Rauxa, New Avon and Spotify.

RBC Capital Markets, a global investment bank and part of the Royal Bank of Canada, signed the largest overall deal of the quarter when they renewed their 395,279-square-foot space at 200 Vesey Street in Brookfield Place. The firm has been headquartered in Lower Manhattan since 2008 and is the building's second largest tenant following American Express. With its decision to remain in Lower Manhattan through 2032, RBC Capital Markets will maintain its status as one of Lower Manhattan's largest FIRE (finance, insurance, and real estate) companies.

In major news for Lower Manhattan's expanding TAMI (technology, advertising, media and information) community and the World Trade Center, **Spotify**, a leading music-streaming company, committed to relocate to a new 378,000-square-foot office in 4 World Trade Center. The company will relocate its United States headquarters, including more than 800 employees, from its existing 160,000-square-foot space at 620 Avenue of the Americas when it moves to the top 14 floors of 4 World Trade Center in 2018. Spotify's business has expanded significantly since the company's launch in 2008. Having outgrown their Chelsea location, a group of Spotify employees are already working in a temporary space in 4 World Trade Center. Spotify also plans to grow its workforce and add 1,000 employees in Lower Manhattan as part of an incentives package provided by Empire State Development.

"Lower Manhattan is more vibrant, diverse, and connected than ever before, and Spotify's expansion is the latest example of this community's incredible potential for growth. We are proud to welcome Spotify to 4 World Trade Center and to have the future of music be a part of the bright future of our dynamic tech community."

-Governor Andrew Cuomo

LOWER MANHATTAN TOP LEASES, Q1 2017

Source: Downtown Alliance, CBRE, JLL, CoStar, Colliers International

	Tenant Name Location	SF Leased Transaction Type	Sector
1	RBC Capital Markets 200 Vesey Street	395,279 Renewal	FIRE
2	Spotify 4 World Trade Center	378,243 Relocation	TAMI, Technology
3	New York State Attorney General 28 Liberty Street	342,484 Moving Within LM	Government
4	Aon 1 Liberty Plaza	201,931 Moving Within LM	FIRE
5	IP Soft 17 State Street	139,642 Renewal & Expansion	TAMI, Technology
6	Tuliet Prebon 200 Vesey Street	128,974 Moving within LM and Expanding	FIRE
7	New Avon 1 Liberty Plaza	91,116 Relocation	Other, Manufacturing
8	National Urban League 80 Pine Street	57,245 Moving Within LM	Other, Organization
9	Rauxa 225 Liberty Street	50,578 Relocation	TAMI, Marketing
10	Knotel 1 State Street	27,000 1st Lower Manhattan Location	Professional Services, Other
11	Jigsaw Productions 26 Broadway	26,961 Relocation	Other, Performing Arts
12	Integra Partners 100 Wall Street	25,962 Expansion	Healthcare
13	New York County Defender Services 100 William Street	22,390 Moving & Expanding Within LM	Nonprofit
14	MFY Legal Services 100 William Street	20,882 Relocation	Professional Services, Legal
15	Urban Justice Center (Community Development Project) 123 William Street	20,305 Expansion	Nonprofit
16	GDS Publishing 55 Water Street	19,703 Moving Within LM	Professional Services, Other
17	MM.LaFleur 100 Broadway	19,198 Relocation	Other, Retail Trade/Fashion
18	IA Interior Architects 100 Broadway	17,625 Relocation	Professional Services, Design
19	Tibi 100 Broadway	17,088 Relocation	Other, Retail Trade/Fashion
20	City Year 55 Broad Street	13,074 Relocation	Other, Educational Organization

The **New York State Attorney General** inked the third largest deal citywide, after completing its lease for 342,484 square-feet in 28 Liberty Street. The agency is relocating from 120 Broadway and consolidating from its existing 427,898-square-foot office. With this deal, 28 Liberty is now 50 percent leased, with 1.14 million-square-feet of available space on the market.

TAMI'S SHARE OF NEW LEASING UP IN Q1 2017

Lower Manhattan demonstrated its continuing draw for the TAMI (technology, advertising, media and information) sector with two announcements over 50,000 square-feet in the first quarter.

Rauxa, the nation's largest women-owned marketing agency, signed a lease for 50,578 square-feet in 225 Liberty Street. They will double their Manhattan footprint with their 2018 move from SoHo to Brookfield Place. Spotify and Rauxa's major deals helped push TAMI's share of new leasing activity to 26 percent. That is up from a 19 percent share in 2016 and on par with 2015's levels. Momentum also continued in April with news of Sailthru, a digital marketing firm, and their lease for 27,320 square-feet in One World Trade Center.

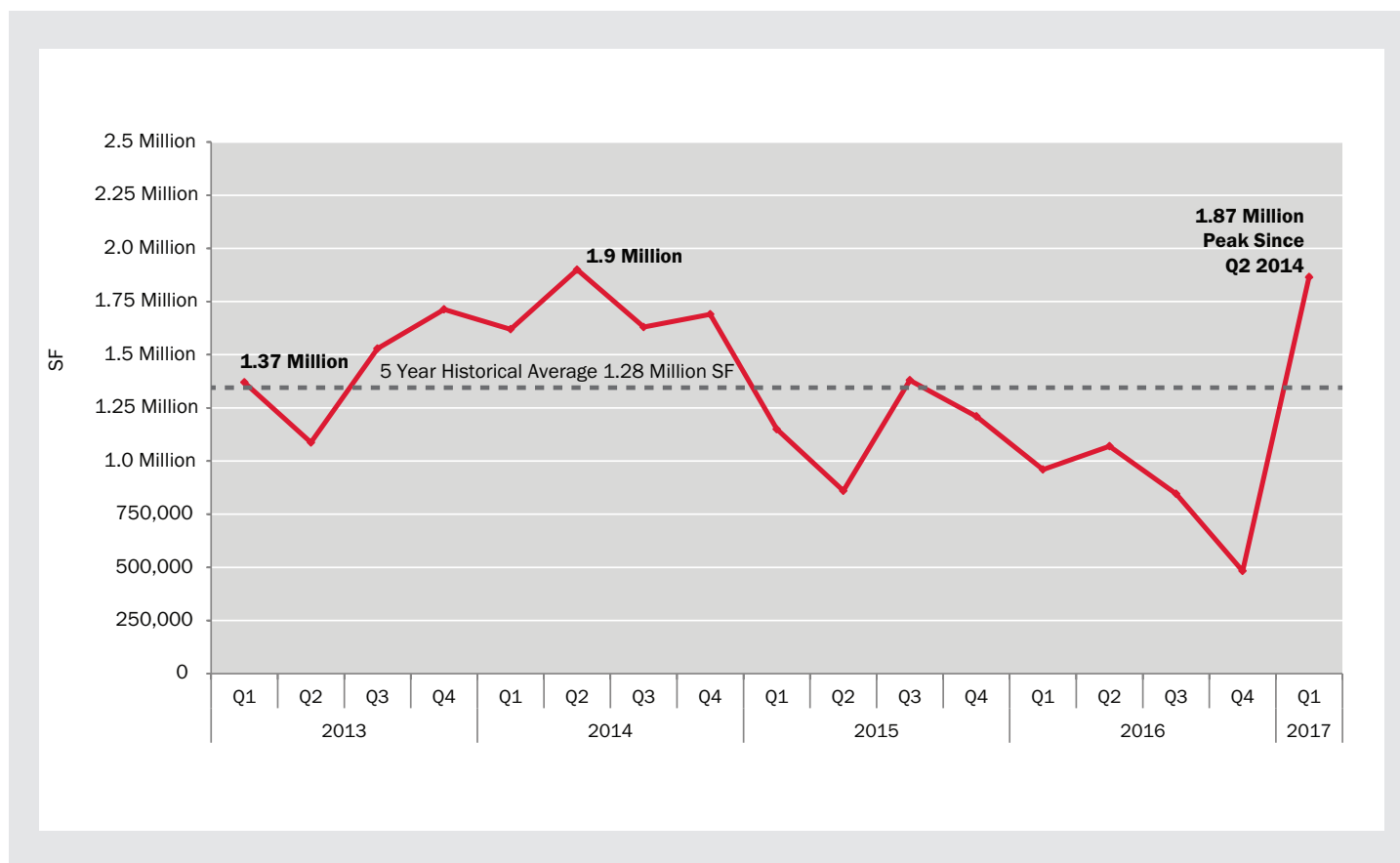
TAMI RELOCATIONS OVER 100,000 SF SINCE CONDÉ NAST

Source: Downtown Alliance

Top TAMI Relocations Since Conde Nast	SF	Lease Signed
Spotify	395,280	Q1 2017
The Associated Press	172,350	Q4 2015
MediaMath	106,000	Q3 2014
Time Inc.	691,000	Q2 2014
Macmillan Science and Education	176,000	Q1 2014
GroupM Worldwide	690,000	Q4 2013
HarperCollins Publishers	181,000	Q1 2013

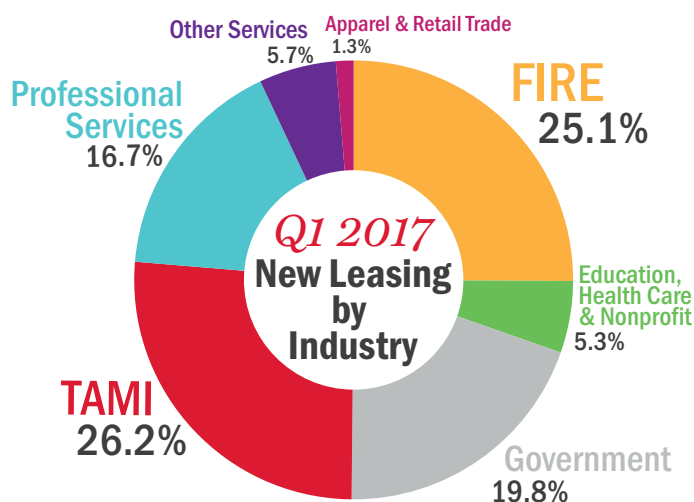
LOWER MANHATTAN LEASING ACTIVITY BY QUARTER

Source: CBRE

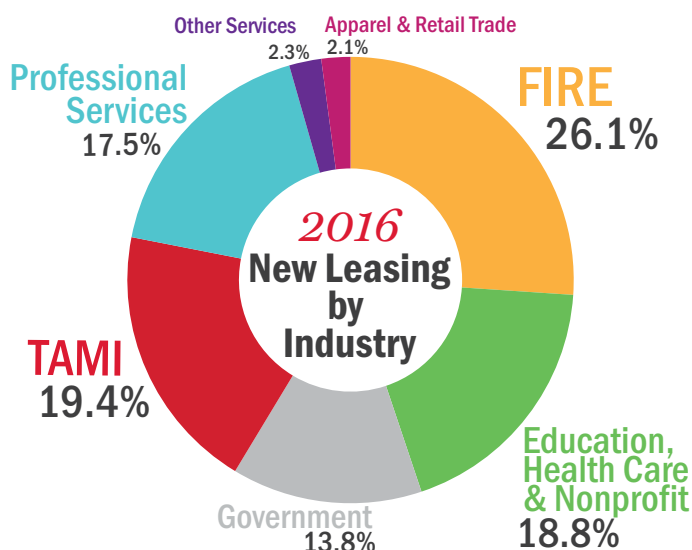


NEW LEASING ACTIVITY BY INDUSTRY IN LOWER MANHATTAN, Q1 2017 vs. 2016

Source: Jones Lang LaSalle



* By square footage



Spotify's Move to 4 World Trade Center A Major Milestone for Lower Manhattan

Spotify's 2018 move to 4 World Trade Center marks several key milestones for Lower Manhattan.

With the Spotify deal, 4 World Trade Center is now fully leased. It is the first tower to be 100 percent committed since the complex opened in 2013. Spotify will also be the largest private sector tenant in 4 World Trade Center and the first major technology company to relocate to the World Trade Center complex. The World Trade Center has successfully attracted a solid cluster of TAMI tenants - with the World Trade Center being over 35% leased to the TAMI sector alone.

In addition, Spotify's decision is the first major relocation after about two years of quiet relocation activity. The 378,000-square-foot commitment is the largest overall relocation since Hudson's Bay Company, parent company to Saks Fifth Avenue and Lord & Taylor, signed a lease for 398,712 square-feet in Brookfield Place in the third quarter of 2014. Lower Manhattan continues to be a popular choice for tenants with large space requirements like Spotify. According to a recent analysis by Jones Lang LaSalle, Lower Manhattan boasts the largest average lease size in Manhattan among tenants occupying 100,000 square-feet or more, despite Midtown having more than 2.7 times the amount of office space. In the World Trade Center/Battery Park City submarket, the average size for large footprint companies tops 398,000 square-feet.

Spotify's decision also helps solidify Lower Manhattan as the new center of technology and media in New York City. Since Condé Nast signed its historic one million-square-foot relocation deal in mid-2011, Lower Manhattan's stature as a center for technology, media and creative companies has risen considerably. Spotify is the seventh TAMI relocation over 100,000 square-feet since Condé Nast inked their deal. Spotify is the largest TAMI commitment made since Time Inc.'s lease with Brookfield Properties for 691,382 square-feet in the second quarter of 2014.

OFF THE RUNWAY AND ONTO BROADWAY: BEAUTY AND FASHION BRANDS CLUSTER SOUTH OF CHAMBERS

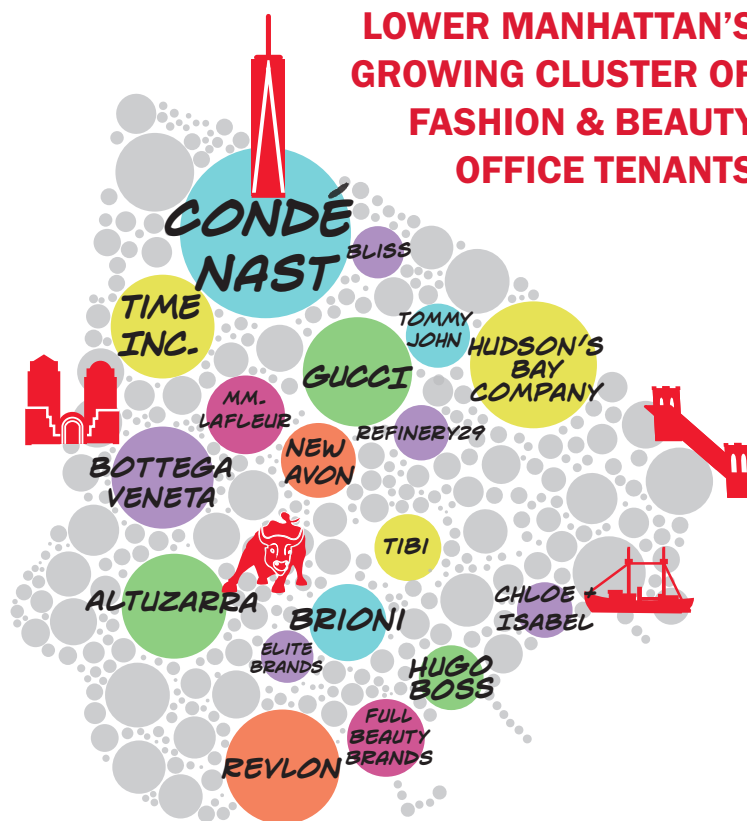
New York City's trendsetters are increasingly attracted to a Lower Manhattan address. Three more companies in those industries committed to relocate south of Chambers Street in the opening months of 2017. **New Avon**, a cosmetic goods company headquartered in the United Kingdom and a spin off of Avon, will relocate its New York City office, including 400 employees from Midtown to 91,116 square-feet in 1 Liberty Plaza. 100 Broadway signed two fashion design tenants in the first quarter. **MM.Lafleur**, a women's apparel start-up, will relocate its office from NoHo to 19,000 square-feet in 100 Broadway. **Tibi**, a women's fashion designer, will also relocate to 100 Broadway from Midtown South. Tibi and MM.Lafleur will join another 100 Broadway fashion tenant, Tommy John, a men's apparel designer, who moved there in during March 2016.

Lower Manhattan has undergone a major style revolution over the past several years. Since **Revlon** committed to 90,000 square-feet in 1 New York Plaza in March of 2014, there has been nearly one million square-feet of activity across 11 different tenants in fashion, beauty and retail merchandising. Fashion's center of gravity continues to shift with industry heavyweights **Gucci**, **Hugo Boss** and **Hudson's Bay Company**, parent company of Saks Fifth Avenue and Lord & Taylor, marching downtown. These trends were pioneered when trendsetting media titan **Condé Nast**, home to *Vogue*, *GQ*, *Glamour* and *Vanity Fair* magazines, moved their headquarters to One World Trade Center.

At the same time, Lower Manhattan's retail market has risen to new heights, with more than 100 international fashion houses and contemporary fashioning brands now open in **Westfield World Trade Center** and **Brookfield Place** alone. Fashion and beauty brands value locations near their peers and in some cases in proximity to their own retail storefronts. Off the runway and onto Broadway, New York City's trendsetters are increasingly attracted to a Lower Manhattan address.

Nearly **1 MILLION SF**
of space taken by *Fashion and Beauty* brands since *Revlon* took space in Lower Manhattan in March 2014

LOWER MANHATTAN'S GROWING CLUSTER OF FASHION & BEAUTY OFFICE TENANTS



CONTINUED COMMITMENTS FROM EXISTING LOWER MANHATTAN FIRE TENANTS

The first quarter's top deals built upon the 2016 trend of FIRE (financial, insurance and real estate) tenants moving within the Lower Manhattan market with some of them expanding their footprint. FIRE accounted for approximately 25 percent of new leasing activity in the first quarter, consistent with its 26 percent share in 2016 overall. Notable deals included:

- **AON Corporation**, an insurance company headquartered in London, will relocate to 201,931 square-feet in 1 Liberty Plaza while consolidating from their existing 450,000-square-foot office in 199 Water Street.
- **Tullet Prebon**, a financial broker, will be increasing their Lower Manhattan footprint by 84 percent when they move from 199 Water Street into 128,974 square-feet in Brookfield Place's 200 Vesey Street.

LOWEST CLASS A VACANCY RATE SINCE Q1 2013

Lower Manhattan's Class A vacancy rate reached its lowest point in 16 quarters, dropping two percentage points to 10.6 percent from the end of 2016. This positive performance was made possible by healthy leasing in the Class A office market, with large blocks leased at Brookfield Place and the World Trade Center. 4 World Trade Center is now fully leased and the Class A vacancy rate is 4.3 percentage points lower than when the building opened in November 2013.

Lower Manhattan's overall vacancy rate fell one percentage point from last quarter to 9.2 percent, the lowest overall vacancy rate since the third quarter of 2014. Meanwhile, both Midtown and Midtown South saw a rise in their vacancy rates from last quarter. Lower Manhattan's vacancy rate is lower than Midtown for the first time since the end of 2014 as Midtown's overall vacancy rate increased to 10 percent, its highest level in more than two years. Midtown South's overall vacancy rate increased by more than one percentage point from last quarter to 7.7 percent.

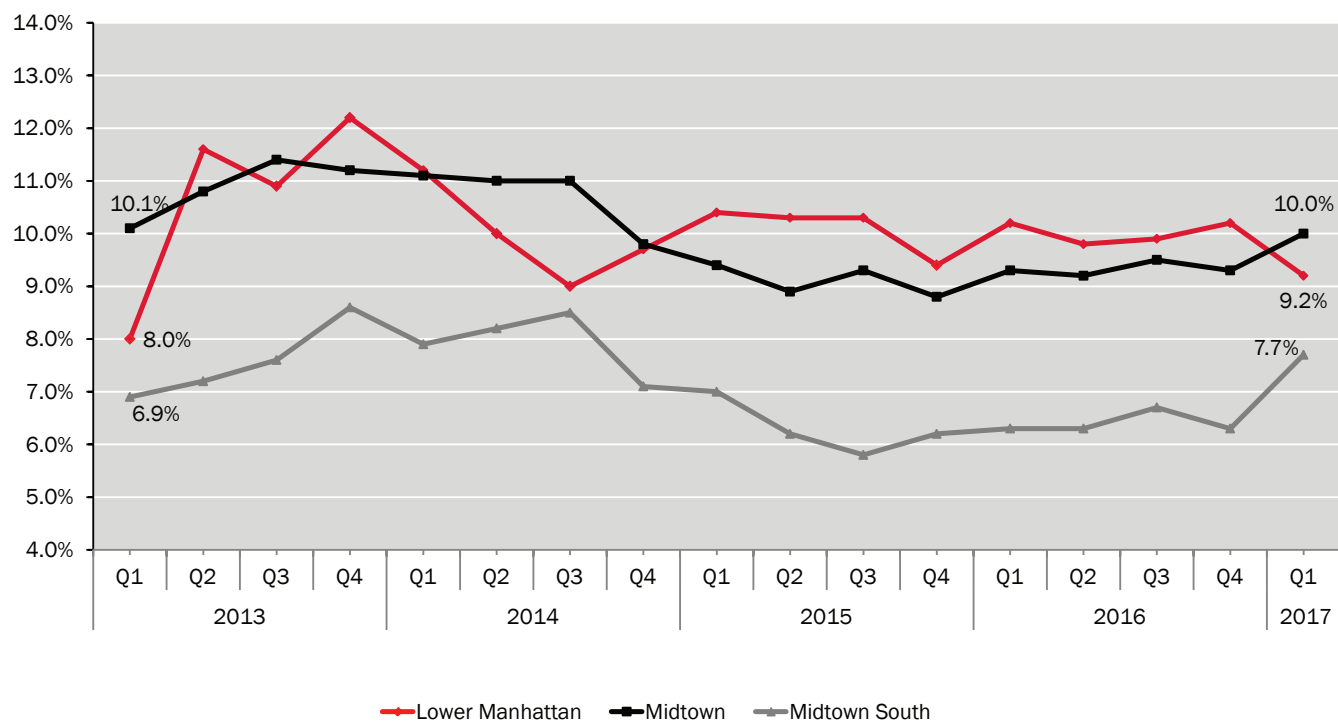


4 World Trade Center

Opened in 2013, the 2.3 Million SF office tower is now fully leased after Spotify's announcement to relocate their U.S. headquarters to the top 14 floors of the building.

OVERALL VACANCY RATES BY SUBMARKET, Q1 2013 - Q1 2017

Source: Cushman & Wakefield



LOWER MANHATTAN CLASS A RENTS MAINTAIN COMPETITIVE ADVANTAGE

Lower Manhattan's overall average asking rent for currently available office space dropped below \$59 per-square-foot for the first time since the third quarter of 2015, reflecting the lease-up of some of the highest priced availabilities on the market including Spotify's space at 4 World Trade Center. Overall asking rent is down just over 1 percent year-over-year and from last quarter. With the removal of higher-priced space, the average Class A rent is now \$61.30 in Lower Manhattan.

While the overall average dropped, Class B office pricing is up about 3 percent from last quarter and rose year-over-year to \$52.10. This increase in pricing was largely driven by price increases at 30 Broad Street and 61 Broadway where there is about 95,000 square-feet and 158,000 square-feet available, respectively. Both buildings are undergoing significant capital improvements and renovations. Since the Class B market represents less than 23 percent of available space in Lower Manhattan, the average asking rent can be subject to greater fluctuation due to a few higher priced options coming on the market.

Lower Manhattan
Class A Asking Rent **\$61.30**

Class A Rents in Lower Manhattan

\$23.30

*Less than
Midtown*

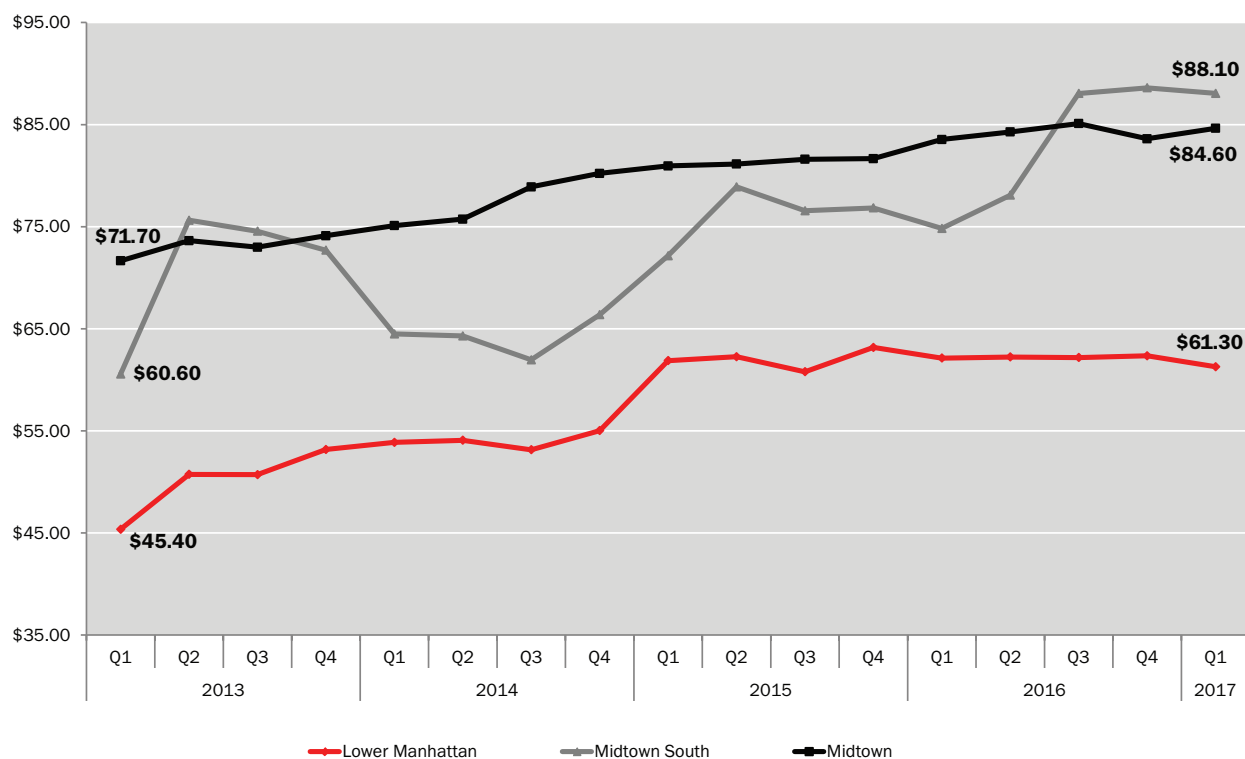
\$26.80

*Less than
Midtown South*

The spread between the average Class B and A office rent in Lower Manhattan has narrowed over the past two years as the Class A average has remained relatively stable and Class B availabilities have risen in price. The average Class B rent is up nearly 25 percent over the last two years and is now just \$9.20 below the average Class A rent.

CLASS A ASKING RENTS BY SUBMARKET, Q1 2013 - Q1 2017

Source: Cushman & Wakefield



The overall average asking rent in Midtown South ticked up to \$71.50, setting a new record for the highest average asking rent in the market's history. This rise in pricing was driven by a 52 percent increase in the amount of Class A on the market, including new space in boutique office buildings as well as large sublet availabilities. Meanwhile, overall Midtown rents remained relatively stable from last quarter, hovering at \$78.70 per square foot.

With these pricing changes, Lower Manhattan retains its competitive edge, especially for tenants looking for Class A office space. In Lower Manhattan, Class A space is priced at an average of \$26.80 below Midtown South, the widest gap in the market's history, and \$23.40 below Midtown.

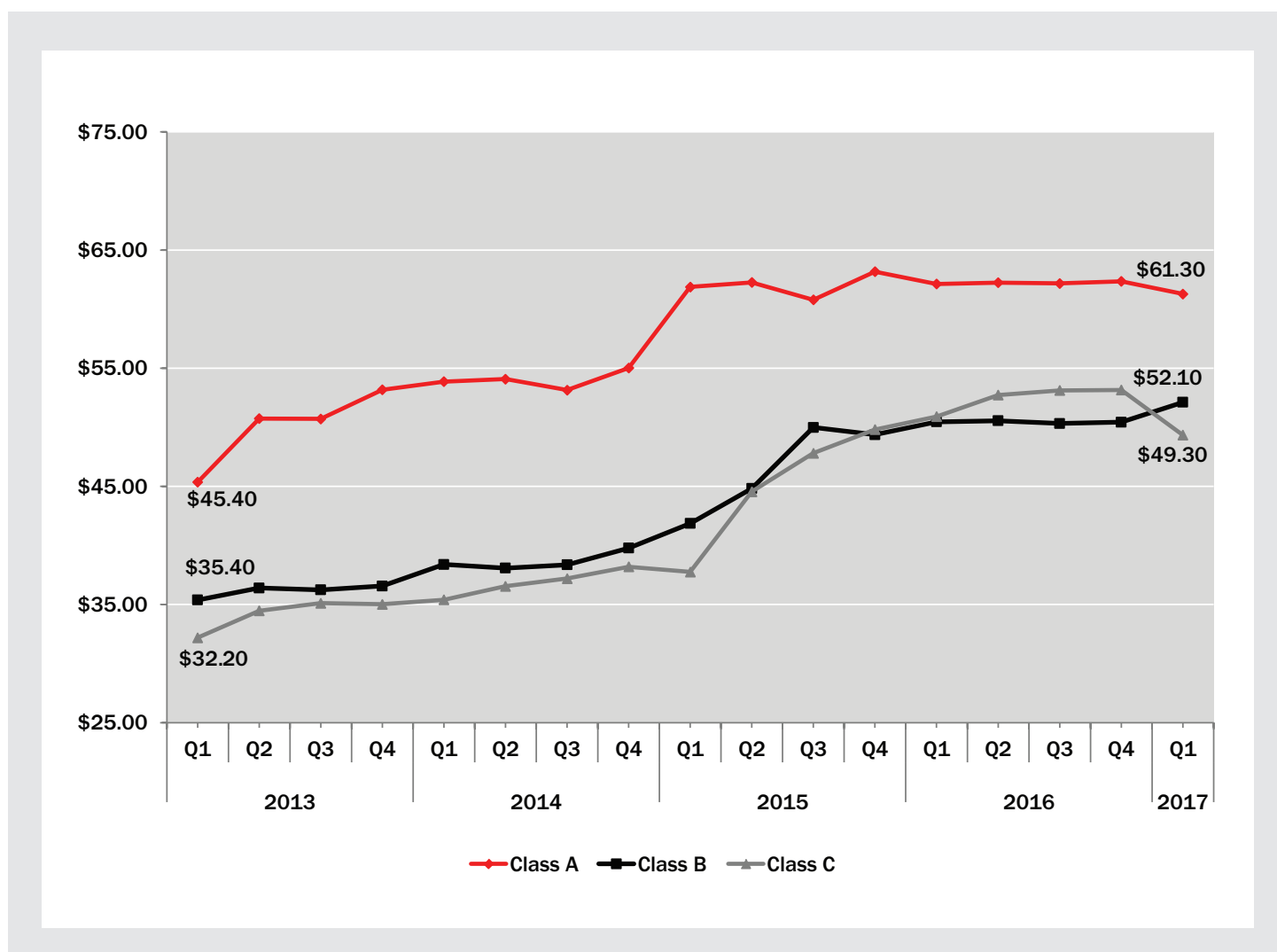
Lower Manhattan
Overall Rent \$58.50

Midtown South
Overall Rent \$71.50

Midtown
Overall Rent \$78.70

LOWER MANHATTAN ASKING RENTS BY CLASS TYPE Q1 2013 - Q1 2017

Source: Cushman & Wakefield

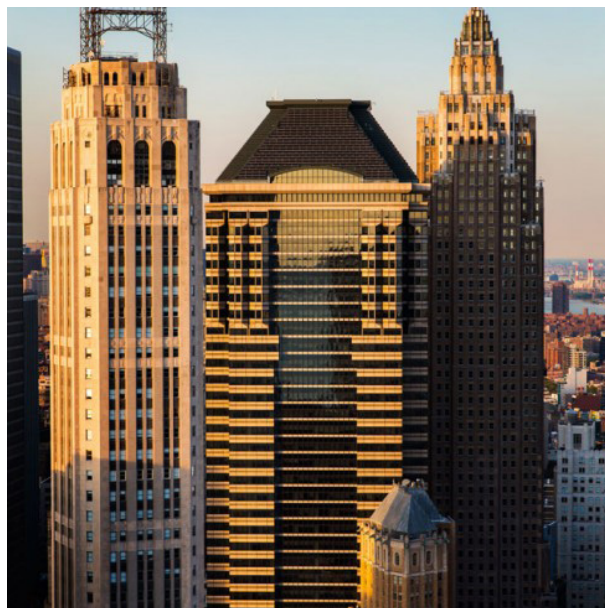


FIRST QUARTER PROPERTY SALES

Office Building Sales

Two office transactions closed in the first quarter, including the top office transaction citywide:

- GIC, a Singaporean sovereign wealth fund purchased a 95 percent stake in **60 Wall Street** from Paramount Group, a New York City-based publicly owned real estate company, and Morgan Stanley for \$1.04 billion, making it the largest first quarter office investment citywide. Based on this transaction, the building is now valued at \$1.1 billion or about \$645 per square foot. Deutsche Bank, which is headquartered at the property, leases the building under a 2007 sale-leaseback deal with Paramount Group and a Morgan Stanley fund for \$1.2 billion at the top of the market. Deutsche Bank has been at the building since 2001.
- A partnership between Paramount Group and Savanna, a real estate private equity firm, purchased a minority stake in **55 Broadway**, a 346,000-square-foot tower, for \$53.8 million from Harbor Group International. The property is now valued at \$215 million or about \$600 per square foot. Savanna has been an active Lower Manhattan office investor over the past several years, making investments in at least five other properties over the past decade including 2 Rector Street, 5 Hanover Square, 100 Wall Street, 80 Broad Street and 110 William Street. Harbor Group International purchased 55 Broadway in 2014 for \$157 million – approximately \$453 per square foot. Key tenants include Bond Collective and Fog Creek Software.



60 Wall Street

GIC purchased a 95 percent stake in the 1.6 million square-foot tower from Paramount Group and Morgan Stanley for \$1.04 Billion, making it the largest office investment citywide in Q1. Deutsche Bank has been headquartered at the property since 2001.

Retail Condominium Sales

Two retail condominiums located in residential buildings closed in the first quarter. They are:

- HUBB NYC purchased a 6,290-square-foot retail condominium at the base of The Croft, a 71-unit luxury condominium building at **71 Nassau Street**, from a partnership between Yair Levy and the Kash Group. The previous owners completed a conversion of the former office building to luxury residential condominiums in 2005. The \$19.5 million purchase valued the retail space at \$3,108 per square foot. The retail condominium is fully occupied with 12 separate tenants, including four quick service eateries. In 2016, HUBB NYC also purchased a 4,211-square foot retail condominium in 37 Warren Street for \$11.2 million.



55 Broadway

A partnership between Paramount Group and Savanna purchased a minority stake in the 346,000-square-foot office tower from Harbor Group International for \$53.8 Million. The property is now valued at \$215 Million. Key tenants include Fog Creek Software and Bond Collective, a coworking space.

- Ariel Aber purchased a 6,392-square foot retail condominium from Rugby Realty at the base of **56 Pine Street**, a 90-unit condominium building for \$4.5 million. The retail space was valued at \$696 per square foot in the transaction. Currently, the property is vacant but was previously occupied by ISE, a Japanese restaurant. The property was last purchased in 2012 for \$3.5 million.

Residential Building Sales

An unknown LLC purchased **165 William Street**, a 31,000-square-foot building including 12 residential rental units and 2,500 square-feet of retail, for \$19 million or \$611 per square foot from Princeton Holdings and the Bluestone Group. It was last purchased for \$21.5 million in 2014.

Hotel Sales

Sam Chang, owner of the McSam Hotel Group, purchased the 289-key **Club Quarters Wall Street** at **52 William Street** from Rockwood Capital for \$95 million or \$328,720 per key. Chang developed the 50-story, 492-key Holiday Inn Manhattan - Financial District at 99 Washington Street which opened in 2014.

*Source of Closed Transactions: Newmark Grubb Knight Frank

Five Hotels Changed Hands from 2016 - Q1 2017

In addition to Chang's investment in the Club Quarters Wall Street at 52 William Street, four other Lower Manhattan hotels changed hands in 2016 for a total transaction volume of more than \$317 million. These sales reflect strong confidence in the future of the hotel market south of Chambers Street.

- In the first quarter of 2016, a partnership between the Howard Hughes Corporation and Atlantic Pearl, a privately owned real estate firm, purchased the 72-key **Best Western Plus Seaport Inn Downtown** at **33 Peck Slip** for \$38.3 million from Gemini Real Estate Advisors and Werber Management. Atlantic Pearl, the majority owner, plans to redevelop the hotel and reopen it as a 66-key **Mr. C Seaport**, a boutique hotel to be operated by the Cipriani family. The hotel is expected to be complete in late 2017 and will be Lower Manhattan's fourth boutique hotel. The Mr. C Hotels brand opened its first location in Beverly Hills in 2011.
- Also in the first quarter of 2016, Hersha Hospitality Trust sold its majority interest in two Lower Manhattan hotels to Cindat Capital Management. Chinese investment firm, Cindat purchased the majority interest in the 113-room **Holiday Inn Wall Street**, at **51 Nassau Street**, for \$38.3 million or \$484,000 per key. This was 26 percent higher than its previous purchase price in 2011. Cindat also purchased the majority interest in the **Holiday Inn Express Wall Street**, at **126 Water Street**, for \$35.8 million or \$457,000 per key. This was approximately a 40 percent jump in value. Hersha will remain a minority partner in both hotels.
- In the fourth quarter of 2016, Union Investment Real Estate GmbH purchased the **Courtyard New York Marriott Downtown** at **133 Greenwich Street** from Hidrock Realty for \$205 million or about \$646,000 per hotel key. The 317-room hotel opened in November 2016. Hidrock will retain ownership of the 2,600-square-foot retail space at the base of the hotel.

RETAIL MARKET

Developments, New Openings and Announcements throughout the District

The horizon in 2017 and beyond promises a flurry of major retail developments. By the end of 2019, Lower Manhattan will have more than 7.28 million square feet of retail, an expansion of 2.92 million square feet since 2014.

In August 2016, **Westfield World Trade Center** became an instantly identifiable landmark with over 100 stores and restaurants located in Santiago Calatrava's Oculus and the base of 4 World Trade Center. In the first quarter, additional stores debuted, including **Nobletree Coffee**, **Lobster Press**, **Solstice Sunglasses** and **FordHub**, an interactive brand experience studio by Ford Motor Company. Highly acclaimed chef **Daniel Humm** and partner **Will Guidara** announced they would be opening a new casual restaurant at the base of 3 World Trade Center, overlooking the Oculus.

At **Brookfield Place**, a dedicated, 17,000-square-foot **Saks Fifth Avenue Men's Store** opened to compliment the women-focused Saks Fifth Avenue on the opposite side of the complex. Additionally, **Suit Supply** debuted and will be followed by **Allen Edmonds** and **Del Frisco's Grille** will open in the coming months.

The **Seaport District** is gearing up for a busy summer with the debut of an array of seasonal pop-up shops and beer halls. The Seaport Museum also kicked off its 50th anniversary with a series of exhibitions and tours. This summer, a separate, smaller restaurant called the "Seaport Food Lab" will feature a rotating roster of celebrity chefs. Openings for **10 Corso Como**, **Scotch & Soda**, **by.CHLOE** and **McNally Jackson Books** are expected later this year, with Pier 17 slated to open in summer 2018.

At the end of the first quarter, the district had 1,177 stores and restaurants. A total of 24 new stores and restaurants opened in Lower Manhattan at the beginning of the year. Outside of openings at retail anchors, major restaurants and retailers opened or signed leases this quarter. Among them were:

- **Blue Ribbon Federal Grill** by the Bromberg brothers opened in the AKA Wall Street hotel at 84 William Street;
- **The Woolly Public**, a restaurant and cocktail bar, opened in the Woolworth Building at 9 Barclay Street;
- **Kesté**, a popular pizzeria and pizza school, opened at 77 Fulton Street; and
- **Danny Meyer's Union Square Hospitality Group** announced its partnership with Fosun to open a \$30 million public restaurant, bar and events space on the 60th floor of 28 Liberty. The unnamed venue, which will include event space, will have a capacity of 800 people.
- Talks between former Nomad chef **James Kent** and 70 Pine Street to open a ground-floor eatery and lounge on the top floors of the Art Deco skyscraper are ongoing. The pending deal has not been finalized.



Courtesy of Blue Ribbon Federal Grill



Blue Ribbon Federal Grill opened in the AKA Wall Street at 84 William Street



Photo by Robin Pedron for Saks Fifth Avenue



Saks Fifth Avenue Men's Store debuted in Brookfield Place at 250 Vesey Street



Courtesy of The Woolly Public



The Woolly Public opened at 9 Barclay Street in the historic Woolworth Building

TOURISM & HOSPITALITY

Record Year for Tourism

Lower Manhattan continues to be a destination for tourists. The 14.8 million tourists who visited Lower Manhattan in 2016¹ represent a five percent increase from 2015. This upward trend was sustained by strong visitation at the National September 11 Memorial & Museum, the Statue of Liberty and Ellis Island, and One World Observatory.

Hotels Check-in to Lower Manhattan

At the end of the first quarter, there were nearly 6,560 hotel rooms in 30 hotels throughout Lower Manhattan – a 35 percent increase over the past two years. With more than 2,200 hotel rooms in 15 hotels currently in the development pipeline, inventory is expected to grow by up to 19 percent in 2017. This year alone, over 1,270 rooms in eight properties are expected to come online. If these projects open on schedule, the hotel inventory in Lower Manhattan will reach 7,800 rooms by year's end. Lower Manhattan's hotel offerings reflect a diversity of brands, targeting both business and leisure travelers, across multiple-price points.

Those scheduled for completion in 2017 include:

- **The Artezen Hotel** at 24 John Street, 89 rooms;
- **Fairfield Inn & Suites** at 100 Greenwich Street, 192 rooms;
- **Hilton Garden Inn** at 6 Water Street, 250 rooms;
- **Marriott Residence Inn** (upper floors) at 215 Pearl Street, 120 rooms;
- **Courtyard by Marriott** (lower floors) at 215 Pearl Street, 200 rooms;
- **AC Hotel by Marriott** at 151 Maiden Lane, 271 rooms;
- **The Assemblage** at 17 John Street, 81 rooms; and
- **Mr. C Seaport**, the rebranded Best Western Seaport, at 33 Peck Slip, 66 rooms.

LOWER MANHATTAN HOTEL DEVELOPMENT PIPELINE

Source: Downtown Alliance

	Hotel & Address	Owner/Developer	Rooms	Floors	Open Date
1	The Artezen Hotel 24 John Street	Westbury Realty Associates	89	21	2017
2	Fairfield Inn & Suites 100 Greenwich Street	Jiten Hotel Management	192	25	2017
3	Hilton Garden Inn 6 Water Street	McSam Hotel Group	250	29	2017
4	Marriott Residence Inn 215 Pearl Street	Lam Group	120 (upper floors)	40	2017
5	Courtyard by Marriott 215 Pearl Street	Lam Group	200 (lower floors)	40	2017
6	AC Hotel Marriott 151 Maiden Lane	Fortis Property Group	271	33	2017
7	The Assemblage 17 John Street	Prodigy Networks	81	23	2017
8	Mr. C Seaport 33 Peck Slip	Atlantic Pearl/Cipriani	66	5	2017
9	Moxy Hotel 143 Fulton Street	Tribeca Associates	228	26	2018
10	TBD Hotel 11 Stone Street	Premier Emerald LLC	143	27	2018
11	Hotel Indigo 8-12 Maiden Lane	10-12 MLane Inc.	190	25	2018
12	Hotel Indigo 120-122 Water Street	Atlas Hospitality	122	31	2018
13	Aloft Hotel 50 Trinity Place	Fit Investment Group	173	29	2018
14	TBD Hotel 265 Broadway	Roe Corporation	80	12 (of 42)	TBD
15	Boutique Hotel Battery Maritime Building	NYCEDC	70	5	TBD
Total Hotels in the Pipeline			15		
Total Hotel Rooms in the Pipeline			2,205		

¹ Source of tourism estimates: Audience Research & Analysis

14.8 MILLION

unique visitors to Lower Manhattan in 2016

Occupancy and Average Daily Room Rate Up Year-over-Year

The first quarter's average hotel occupancy rate was 78 percent, a percentage consistent with citywide averages. The occupancy rate of Lower Manhattan hotels showed growth over years' past, up three percent from last year and six percent from 2015. Lower Manhattan's average daily room rate (ADR) in the first quarter of 2017 was \$210, up four percent year-over-year, but down 11 percent from 2015. New York City's ADR has dipped slightly, by two percent year-over-year to \$217².

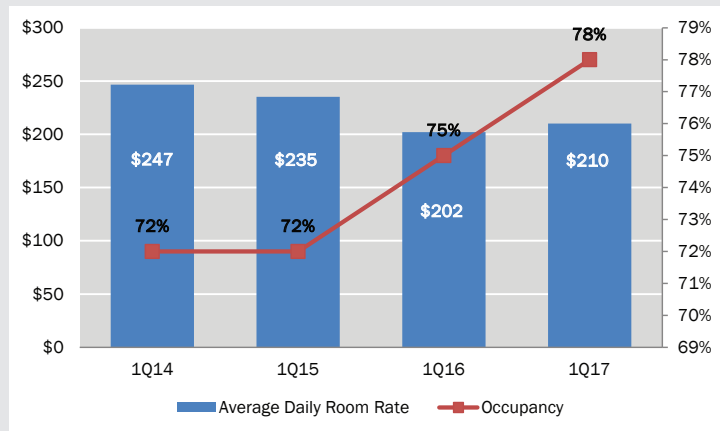
In looking at the first quarter hotel performance over the past four years, the Lower Manhattan hotel market had a mixed track record. Historically, the winter months are the slowest time of the year for hotels in New York City. Over the past four years, the number of hotel rooms in the district has grown 33 percent, while demand has yet to reach its full potential. Additionally, recently-opened hotels typically take time for their rates to stabilize. Expanding hotel room supply, especially in limited service hotels, has led to downward pressure in the overall average room rate. Hotels have countered the decreasing room rates with higher occupancies.

While there is considerable hotel supply coming in the future, the Lower Manhattan market is showing positive signs. Five hotels in Lower Manhattan have changed hands since the beginning of 2016, demonstrating expanded investor interest. Additionally, growing tourism, expanded retail and restaurant offerings and new and repositioned office product are expected to drive business and leisure travel.

² Source of New York City hotel figures: NYC & Company

AVERAGE DAILY ROOM RATE & OCCUPANCY IN LOWER MANHATTAN HOTELS, Q1 2014 - Q1 2017

Source: Downtown Alliance



The Courtyard by Marriott opened in late 2016 near the World Trade Center at 133 Greenwich Street. The 31-story hotel has 317 rooms.



Mr. C Seaport will open in the former Best Western Plus at 33 Peck Slip. The boutique hotel will have 66 rooms and a Cipriani Italian dining concept.

RESIDENTIAL MARKET

Inventory and Development Continue to Expand

Lower Manhattan, defined as the area south of Chambers Street, has nearly 31,522 units in 326 mixed-use and residential buildings and an estimated population of approximately 61,000. There are currently 3,500 units in 26 buildings that are under construction or planned for development. Among the projects under construction and in development, approximately 53 percent are condos and 47 percent are rental units.

Two major residential projects received certificates of occupancy during the first quarter. They are:

- **50 West Street**, a 65-story, 191-condo unit tower developed by Time Equities, began receiving tenants in early January. Closings will continue through 2017. Construction of the West Thames pedestrian bridge will begin this year, connecting a new plaza adjacent to 50 West Street to Battery Park City; and
- Metroloft and Vanbarton Group's **180 Water Street** began leasing its first phase of luxury rental apartments in early spring. The conversion of the former office building into 565 rental units will also include the addition of seven stories to the building.

Including the two properties that opened in early 2017, the pipeline of residential development includes nearly 1,000 units in seven buildings under construction (69 percent rental and 31 percent condo) with plans to open this year. Among them:

- DDG's bluestone-clad **12 Warren Street** will bring 13 condominiums to southern Tribeca;
- **19 Park Place** is wrapping up construction. The narrow 21-story, 24 condominium tower was developed by ABN Real Estate;
- The Claremont Group plans to complete its conversion of **101 Wall Street** to 52 condominiums by spring 2017;
- The former parking garage at **60 Fulton Street** has now been replaced by a 23-story, 120-unit rental building. The building is being developed by Socius Development Group and the Brauser Group and will include 24 affordable units; and
- Alchemy Properties continues its historic conversion of the top 30 floors of **2 Park Place**. The Woolworth Residences will have 34 condo units.

HIGHLIGHTS OF LOWER MANHATTAN RESIDENTIAL DEVELOPMENT

Source: Downtown Alliance

	Address & Building Name	Lease & Building Type	Units	Open Date
Rental Units Under Construction		TOTAL	1,472	
1	60 Fulton Street Exhibit	Rental New Construction	120	2017
2	20 Broad Street	Rental Conversion	533	2018
3	112-118 Fulton Street	Rental New Construction	483	2019
Condo Units Under Construction		TOTAL	1,367	
1	19 Park Place	Condo New Construction	21	2017
2	12 Warren Street	Condo New Construction	13	2017
3	101 Wall Street	Condo Conversion	52	2017
4	2 Park Place Woolworth Residences	Condo Conversion	34	2017
5	161 Maiden Lane 1 Seaport	Condo New Construction	80	2018
6	49 Chambers Street	Condo Conversion	99	2018
7	1 Beekman Street	Condo New Construction	31	2018
8	45 Park Place	Condo New Construction	50	2018
9	111 Murray Street	Condo New Construction	157	2018
10	125 Greenwich Street	Condo New Construction	288	2018
11	1 Wall Street	Rental/Condo Conversion	336/188	2019
12	23-31 Park Row	Condo New Construction	110	2019
13	130 William Street	Condo New Construction	244	2019
Condo & Rental Units in Development TOTAL			666	
1	30 Warren Street	Condo New Construction	23	2018
2	75-83 Nassau Street	Rental/Condo New Construction	197	2019
3	45 Broad Street	Condo New Construction	150	2019
4	77 Greenwich Street Former Syms site	Condo New Construction	90	2019
5	86 Warren Street	Rental New Construction	40	TBD
6	69 West Broadway	Condo New Construction	24	TBD
7	102 John Street	Rental New Construction	92	TBD
8	106 Fulton Street	Rental Conversion	TBD	TBD
TOTAL UNITS IN THE PIPELINE			3,505	

Note: Chart displays selected properties. For complete pipeline, please [click here](#).

Residential Rental Market Heats Up

According to residential statistics published by Miller Samuel/Douglas Elliman, **median rents** across several Manhattan neighborhoods increased slightly year-over-year. The greatest increase was seen in Lower Manhattan, where the median rent, \$3,581, is up three percent from this time last year. Overall, median rents skewed higher year-over-year due to new development projects entering the market.

With the influx of new luxury rental product across the city, **listing discounts** for rental properties in Lower Manhattan have hovered around two percent. Compared to other Manhattan neighborhoods, concessions are less in Lower Manhattan's residential rental market. However, renters have become more tempered in leasing velocity as the number of days rental units stay on the market increased 13 percent over the past year.

Residential Sales Market Sets Records

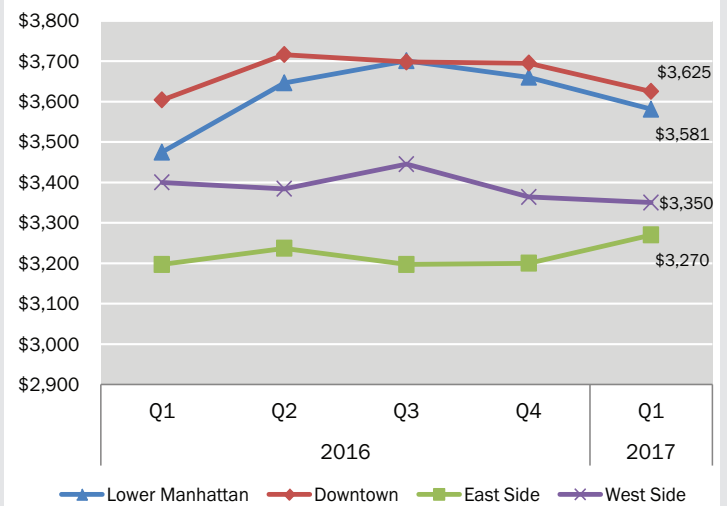
Lower Manhattan residential sales activity picked up steam at the beginning of the year due to a flurry of high-end residential projects coming to fruition, like 30 Park Place, 100 Barclay Street and 50 West Street, as well as a growing shopping and dining scene. While comparable geographies in Manhattan saw sales metrics either decrease or grow modestly, the area south of Chambers Street outperformed in all sales metrics. The large spikes were related to the legacy issue - older contracts that finally closed in the past few months.

The **median condo sales price** of \$1.6 million is a new record for the Lower Manhattan market. This reflects a 77 percent increase over the past five years, where median sales prices were \$902,000 in the first quarter of 2011. Lower Manhattan's **average price per square foot** (PPSF) of \$2,135 saw dramatic increases of 11 and 53 percent over the past quarter and year, respectively - the greatest quarterly and annual increases across comparable neighborhoods. Additionally, nearly 220 **sales transactions** took place during the first quarter, a growth of 46 percent year-over-year and the most active quarter since the second quarter of 2011. While condo sales **listing discounts** are at 0.8 percent in Lower Manhattan, they are around five percent in the east and west sides of Manhattan and at three percent in greater downtown.

¹**Lower Manhattan** defined as south of Chambers Street to the Battery. **Downtown** defined as south of W. 34th and E. 42nd Street to the Battery. **East Side** defined as east of 6th Avenue, between E. 96th and E. 42nd Street. **West Side** defined as west of 6th Avenue, between W. 116th and W. 34th Street.

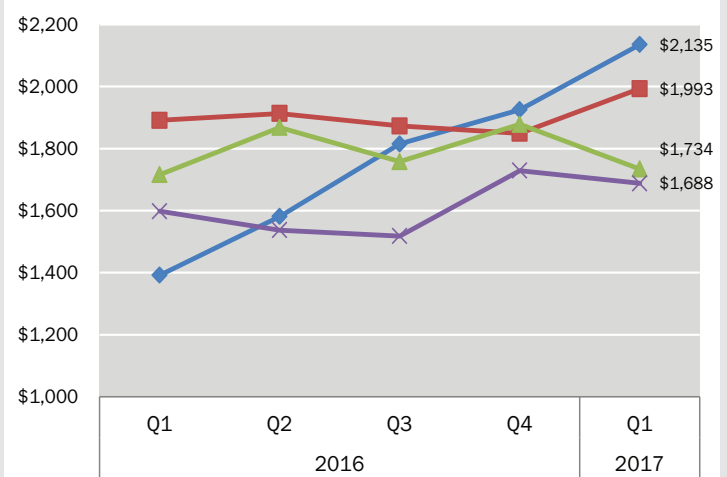
MEDIAN RENTAL PRICE

Source: Miller Samuel/Douglas Elliman



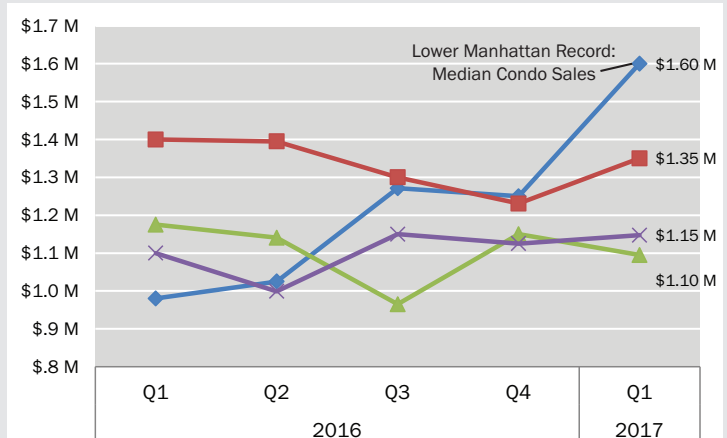
AVERAGE SALES PRICE (\$) PER SF

Source: Miller Samuel/Douglas Elliman



MEDIAN SALES PRICE

Source: Miller Samuel/Douglas Elliman



MAJOR PROJECTS UPDATE

Infrastructure & Resiliency

The World Trade Center Transportation Hub

The 800,000-square-foot, Santiago Calatrava-designed, World Trade Center Transportation Hub officially opened in early March 2016, providing underground access to One World Trade Center, 4 World Trade Center, Brookfield Place and the PATH. Additional underground access became available to Church and Vesey Streets (base of future Tower 2), Fulton Center via the Dey Street Connector and the E Train station. Access to the Cortlandt Street R Train station from the World Trade Center is anticipated to open in late 2017, while the Cortlandt Street 1 Train station connection is expected to open by mid-2018. The temporary PATH station is now closed and undergoing deconstruction in preparation for the Performing Arts Center at the World Trade Center. Westfield's 365,000-square-foot retail complex at the transit hub opened in August 2016.

South Ferry station

After being closed since Superstorm Sandy pored 15 million gallons of water into the station, the MTA announced that the 1 train at South Ferry Station will reopen in June. During restoration, the old South Ferry station served as a connection for commuters to both the Staten Island Ferry and the R and W trains at Whitehall Street. The \$340 million project included reconstruction and the installation of permanent flood protection measures.

Street Reconstruction

The Department of Design and Construction (DDC) recently completed its \$42 million reconstruction project of lower Broadway, between Ann and Rector Streets. The project, referred to as Broadway 1, began in 2014.

Reconstruction of Warren Street, stretching from Broadway to West Street, began this February and is scheduled to be finished in the summer of 2019. After the Warren Street work is complete, an identical project will begin on John Street, from Broadway to William Street. These projects will replace all underground infrastructure, including water mains, sewers, electric, gas and other utilities, as well as install new streetsurfaces and curbs.

West Thames Pedestrian Bridge

Construction on the West Thames Street Pedestrian Bridge began earlier this year. Spanning West Street, the bridge will bring pedestrians to a new privately owned public plaza at 50 West Street. According to the New York City Economic Development Corporation (NYCEDC) completion is anticipated in early 2018. The West Thames structure will replace the Rector Street pedestrian bridge. The Battery Park City Authority and the Lower Manhattan Development Corporation have voted to rename the bridge after Robert Douglass, the former chairman of the Downtown Alliance and longtime advocate of Lower Manhattan who passed away earlier this year.

Federal, State & City Investment

In 2016, the de Blasio administration announced that \$100 million in City capital funds would be allocated to coastal resiliency in Lower Manhattan as part of a larger project funded by the U.S. Department of Housing and Urban Development's National Disaster Resilience Competition. The money will help build a network of floodwalls, berms and deployable barriers to protect the tip of Manhattan from flooding. The project will extend from the Lower East Side, around the bottom of the island, all the way to Battery Park City.

With \$6.75 million from a mix of City and State sources for preliminary design and environmental review, and an additional \$8 million from the City's capital budget for first phase flood protection design and implementation in Battery Park, nearly \$15 million in government funds has been set aside for additional Lower Manhattan resilience work. NYCEDC kicked off design work for the Lower Manhattan coastal resiliency initiative in the summer of 2016 and plans to complete design work later in 2017. In addition, the Battery Park City Authority has launched an initiative to renovate Wagner Park in a manner that will incorporate much needed resiliency measures.

West Thames Pedestrian Bridge



World Trade Center

The Ronald O. Perelman Performing Arts Center (The Perelman Center)

In September 2016, designs for The Ronald O. Perelman Center for Performing Arts at the World Trade Center were made public. The 90,000-square-foot cube-shaped building will feature three theaters of varying sizes, with the potential to be combined to form seven unique performance spaces.

In summer 2016, philanthropist Ronald Perelman announced he was donating \$75 million to the project. With Perelman's donation, the project took a significant step towards its estimated \$240 million cost. The Lower Manhattan Development Corporation (LMDC) committed \$100 million in federal funds awarded after September 11th for the project's design, construction and administrative costs. The Perelman Center will be located at the site of the now demolished PATH entrance at Greenwich Street and West Broadway, which closed after last summer's opening of the World Trade Center Transportation Hub. Groundbreaking is scheduled for next year with construction expected to be complete in 2020.

4 World Trade Center

The 72-story, 2.3 million-square-foot office tower was completed in November 2013 and became fully leased when Spotify, the world's largest music streamer, signed a 378,000-square-foot lease in February 2016. The building's tenants also include MediaMath, Zurich American Financial Company, Global Atlantic Group, Validus, Hudson River Trading, PadillaCRT, SNY (SportsNet New York), Silver Suites, IEX, Morningstar, the Port Authority and the City of New York.

One World Trade Center

The 104-story, 3.1 million-square-foot office tower opened on November 3rd 2014. One World Trade Center is 70 percent leased; tenants include Conde Nast, High 5 Games, Moody's, xAd, China Center New York, Mic Network and the U.S. General Services Administration. The Durst Organization and Port Authority unveiled a tenant amenity floor in the first quarter of 2017 and the expansion of its pre-built and built-to-suit program to another three floors, growing to a total of nine floors. At the beginning of the second quarter, technology company Sailthru signed a 27,000-square-foot lease for a prebuilt suite.

3 World Trade Center

The 2.5 million-square-foot office tower topped out at 80 floors in June 2016 and will be completed in spring 2018. In late 2015, anchor tenant GroupM Worldwide finalized an expansion, adding 170,000 square feet to the existing 520,000 square feet signed in 2014. The tower is currently 28 percent leased.

2 World Trade Center

After over a year of negotiation between Silverstein Properties and 21st Century Fox and News Corp to anchor 1.3 million square feet, the deal was called off in early 2016. Silverstein will postpone work on the tower until an anchor tenant agrees to lease a substantial portion of the building.

Visit www.downtownny.com/research for additional publications on the Lower Manhattan real estate market and economy. Documents include a complete list of residential and hotel developments, available retail spaces, a summary of leasing incentives and other research reports, including:

An Untapped Market: Lower Manhattan's Young Professionals, a residential survey highlighting Lower Manhattan as a neighborhood of choice for young professionals in New York City, as well as ways to capture residents' robust appetite for dining out and entertainment.

Surging Ahead: Lower Manhattan's Economic Revival and What It Means For New York, a report on the major advances in Lower Manhattan's economy expected over the next five years as a result of post-September 11th investments and the area's status as a burgeoning center for some of New York City's highest value, most dynamic industries;

The Brain Gain, 2015 Report, an updated report on how the region's shifting demographics continue to favor the Lower Manhattan Business District. Previously released in 2012, the updated data shows an even stronger trend;

TAMI Takes Lower Manhattan, a report on the growth of technology, advertising, media, and information companies moving south of Chambers Street;

Everything Old is New Again: Conversions of Historic Properties in Lower Manhattan, a report on historic properties preserved through significant investment and changes in use;

The Golden Age of Transit in Lower Manhattan, a report released on Fulton Center's opening, describing how the more than \$6.4 billion of transit investments made since 2005 benefit a large and growing labor force;

Going to the Head of the Class: The Growth of Higher Education in Lower Manhattan, a report on the growth of higher education in Lower Manhattan; and

A Surge of Bits and Bytes: The State of Tech and Innovation in Lower Manhattan, a report on Lower Manhattan's growing technology industry.



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